

# Supplemental Information

# Administrative Services Department Study Analysis of Recreation Revenues, Costs and Impact to the General Fund

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# Administrative Services Department Study



## ADMINISTRATIVE SERVICES DEPARTMENT STUDY

### **Administrative Services Department Study Team**

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November 12, 2004

# Administrative Services Department Study (Continued)

## EXECUTIVE SUMMARY

In July 2004, an Administrative Services Department Study Team was formed to meet what became this charge:

*To find a way to provide better administrative services to City of Morgan Hill operating departments while saving the General Fund at least \$100,000.*

We have met this charge with a proposal for reorganizing the provision of administrative services with an estimated General Fund savings of about \$107,000. We expect an initial period of service disruption, which could be followed by departments receiving the same level of service, though probably not improved services, if certain conditions for success are met.

### **1. Overview of Proposed Reorganization**

Through this report, the Study Team ("Team") proposes a conceptual plan for an Administrative Service Department which would save about \$107,000 from the General Fund, and \$15,000 from the Water and Sewer Funds. In achieving the required cost savings, however, the proposed reorganization is *not* expected to significantly improve the level of service provided. That goal could not be attained with the available resources. Instead, once the disruption associated with the reorganization passed, departments would receive critical administrative services at about the level as they currently receive them. Further, significant operational changes would be required in order to enable continued service levels while reducing staffing and associated costs.

The proposed reorganization, creating an Administrative Services Department, would reduce staffing in administrative service areas from 19 full time equivalent (FTE)

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# Administrative Services Department Study (Continued)

positions to 18.5. Actual staffing in administrative departments would drop to 15.5 FTEs, with the equivalent of three positions being shifted to the Public Works Department. The Water and Sewer Funds already fund those positions.

While the proposed plan does not provide for immediate service improvements, it does pave the way for “smart growth” in administrative services in the future. The proposed structure strongly links related services and required staff capability, increasing opportunities for communication, shared decision-making and shared accountability. With additional staffing in the future, as resources allow, administrative services could be significantly strengthened using the proposed new structure, enabling a higher level of service and the more cost-effective provision of service.

## **2. Project Parameters**

Beyond the charge to improve service and reduce General Fund costs associated with administrative services, the Study Team worked within several parameters. We focused on administrative services only, as we defined them<sup>1</sup>, not services to the public. We worked to avoid simply shifting administrative work from the administrative departments to the operating departments. We were not charged with developing a specific implementation plan for the reorganization, though we did list some of the steps that will be required to do so. We conducted only a limited evaluation of opportunities for contracting for administrative services. Consistent with the Sustainable Budget Strategy, we focused on a structural realignment of services rather than temporary fixes

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<sup>1</sup> We defined administrative services as functions that cross department lines, support City operations, and provide an oversight or control function. A complete list of those functions is provided in [Section C](#) of this report. We did not classify the legal services provided by the City Attorney’s Office as an administrative service since the City Attorney reports to the City Council.

# Administrative Services Department Study (Continued)

such as reducing employees' hours or pay. We did not consider revenue-generating activities.

### **3. Next Steps**

We recognize that our project was established in the larger context of budget reductions and that the Executive Team is likely to use several of the approaches listed above in order to attain the goals set in the Sustainable Budget Strategy. Though our proposal alone does not achieve the entire \$400,000 budget reduction required for 2005/06, we believe our recommendation holds promise for the future. We have outlined the implementation steps required should the Executive Team wish to proceed with the creation of an Administrative Services Department. We have appreciated the opportunity to work on this very challenging project.

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# Current and Future Grants

The following is a list of current and future grants that the City has received and/or will receive in future years.

## **In FY 2004/05, the City was approved to receive the following grants:**

• Recycling Grant	9,690
• Supplemental Law Enforcement Funding Grant	100,000
• Community Development Block Grant	166,640
• OTS Sobriety Checkpoint Grant	2,069
• Local Law Enforcement Block Grant	4,277
• Homeland Security Grant	8,406
• Medical Reserve Corps Grant	7,628
• Taser Grant Program	10,000
• RATTF Grant	70,917
• SRO Grant	56,700
• COPS in School Grant	29,452
• Monterey Rd. @ UPRR Crossing (Federal Congestion Management Grant)	301,356

## **We will receive the following grants in FY 2005/06**

• Recycling Grant	9,700
• Supplemental Law Enforcement Funding Grant	100,000
• OTS Sobriety Checkpoint Grant	8,276
• Community Development Block Grant	156,491
• RATTF Grant	30,000
• SRO Grant	57,720
• Medical Reserve Corps Grant	44,000
• COPS in School Grant	15,000

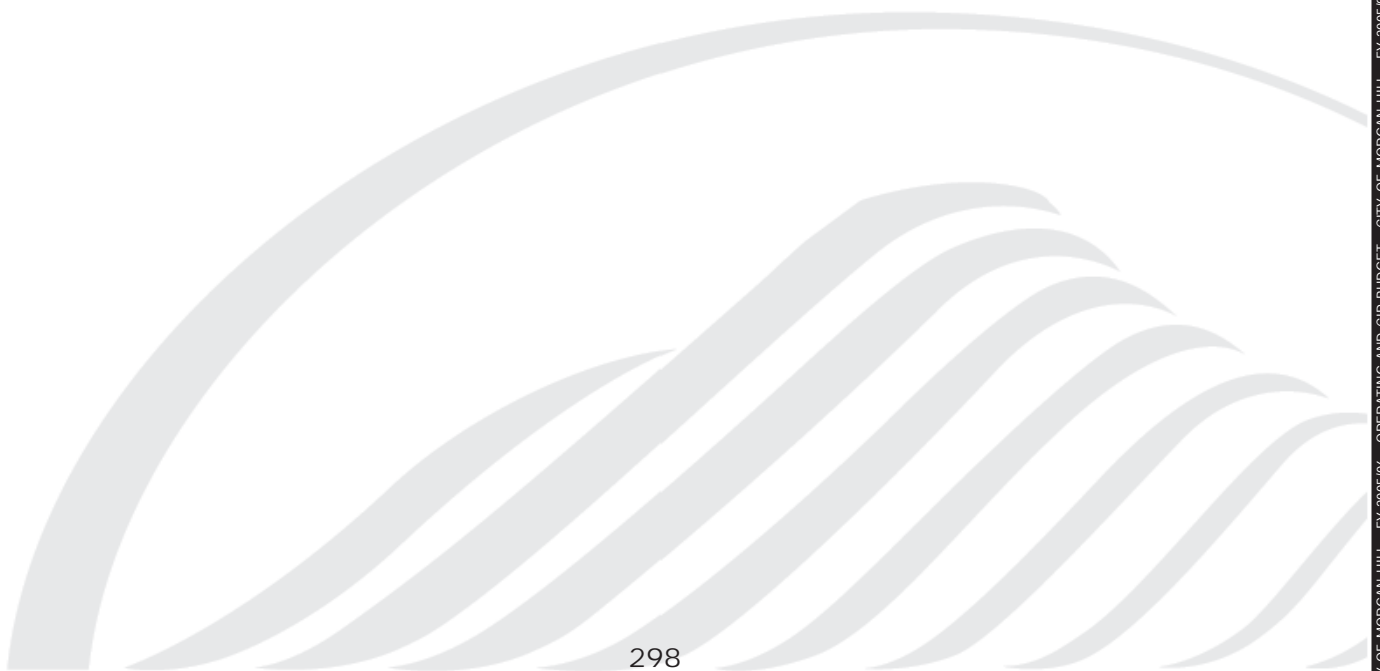


# Discretionary Reserves

The schedule below summarizes all discretionary funds projected to be available at June 30, 2006. While a large portion of these funds has been placed into separate funds for designated purposes, these monies are available as discretionary funds.

010-General Fund (including \$4.6 million in designations):	8,232,601
204/205-Supplemental Law Enforcement Fund	186,959
210-Community Recreation Centers Fund	220,156
240-Employee Assistance Fund	59,610 <sup>(1)</sup>
302-Park Maintenance Fund	3,737,648
730-Information Systems Fund	215,353 <sup>(1)</sup>
740-Building Maintenance Fund	1,364,416 <sup>(1)</sup>
760-Unemployment Insurance Fund	30,445 <sup>(1)</sup>
770-Workers' Compensation Fund	279,557 <sup>(1)</sup>
790-Equipment Replacement Fund	3,078,342 <sup>(1)</sup>
795-General Liability Insurance Fund	961,993 <sup>(1)</sup>
<b>TOTAL PROJECTED CITY DISCRETIONARY DOLLARS @ 6/30/05:</b>	<b>18,367,080</b>

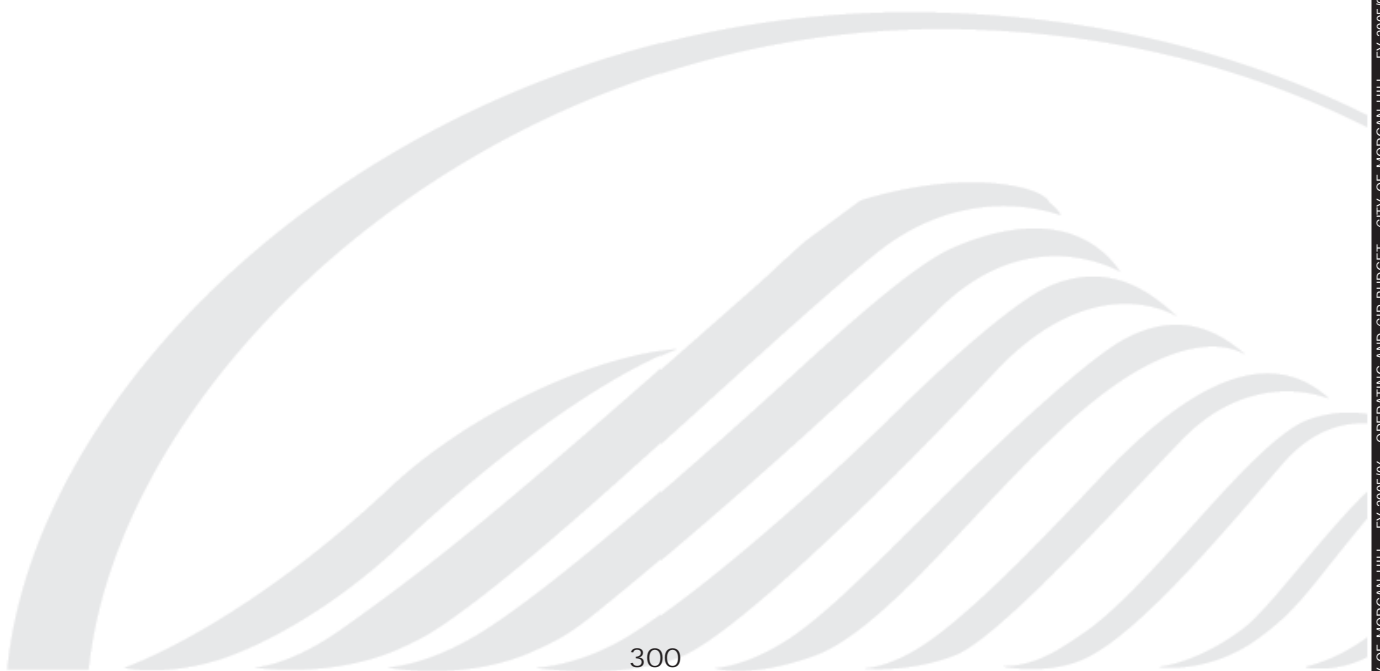
<sup>(1)</sup> Amount in these funds could only be partially transferred to General Fund since these funds have accumulated contributions from various funds, including the General Fund. Remaining balances would need to be credited back to the other contributor funds.



# Economic Development Budget FY2004/05 to FY2007/08

<u>Description</u>	<u>Proj. Exp.</u> <u>FY 04/05</u>	<u>Budget</u> <u>FY 05/06</u>	<u>Projected Minimal Budg</u> <u>FY 06/07</u>	<u>FY 07/08</u>	<u>4 yr</u> <u>Total</u>
<b>Taxes (PBID)</b>	<b>14,000</b>	<b>54,400</b>	<b>54,000</b>	<b>54,000</b>	<b>176,400</b>
<b>RDA-Special Counsel</b>	<b>37,000</b>	<b>72,000</b>	<b>15,000</b>	<b>10,000</b>	<b>134,000</b>
<b>Contract Services</b>					
MHDA	97,500	25,000	-	-	122,500
Chamber EDP	125,000	125,000	125,000	125,000	500,000
RDA marketing	-	40,000	-	-	40,000
Plan amendment EIR	-	120,000	-	-	120,000
Plan amendment consultants	35,000	48,000	-	-	83,000
Financing plan	-	20,000	-	-	20,000
Planning studies	35,000	42,500	40,000	40,000	157,500
Monterey Rd Improv/D/T Improv	36,000	90,000	-	-	126,000
CCC D/T Marketing	11,000	7,000	11,000	11,000	40,000
Sign Plan	-	40,000	-	-	40,000
Other Studies	30,000	13,500	50,000	50,000	143,500
Walnut Grove PUD	46,100	-	-	-	46,100
Land Development Study	-	10,000	-	-	10,000
D/T Parking management plan	49,200	-	-	-	49,200
<b>Contract Services Subtotal</b>	<b>464,800</b>	<b>581,000</b>	<b>226,000</b>	<b>226,000</b>	<b>1,497,800</b>
<b>Other Expenses</b>					
Graffiti Program	14,000	13,000	10,000	10,000	47,000
Other (Sister City)	14,000	3,000	1,000	1,000	19,000
<b>Other Expenses Subtotal</b>	<b>28,000</b>	<b>16,000</b>	<b>11,000</b>	<b>11,000</b>	<b>66,000</b>
<b>Acquisition Expenses</b>					
Courthouse Project	875,000	875,000	875,000	-	2,625,000
Professional Svcs	20,000	10,000	5,000	5,000	40,000
<b>Acquisition Expenses Subtotal</b>	<b>895,000</b>	<b>885,000</b>	<b>880,000</b>	<b>5,000</b>	<b>2,665,000</b>
<b>Site specific studies</b>	<b>63,100</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>153,100</b>
<b>Property Management</b>	<b>25,000</b>	<b>25,500</b>	<b>25,000</b>	<b>25,000</b>	<b>100,500</b>
<b>Site &amp; Building Improvements</b>	<b>38,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,925</b>
<b>Loan Amounts</b>					
Small Business/Utility Financing Loans	20,000	20,000	20,000	20,000	80,000
Day Workers Center Offsites	195,000	-	-	-	195,000
<b>Loan Amounts Subtotal</b>	<b>215,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>275,000</b>
<b>Grant Amounts</b>					
Centennial Celebration	29,500	-	-	-	29,500
PBID	40,000	-	-	-	40,000
Facade Grants	120,000	205,000	100,000	100,000	525,000
Commercial Rehab Loan/New Programs	-	100,000	100,000	100,000	300,000
Matching Grant Depot St.	342,000	-	-	-	342,000
Historic Preservation	38,000	350,000	-	-	388,000
Other	51,000	-	-	-	51,000
Other (Ombudsman Svcs)	20,000	30,000	20,000	20,000	90,000
<b>Grant Amounts Subtotal</b>	<b>640,500</b>	<b>685,000</b>	<b>220,000</b>	<b>220,000</b>	<b>1,765,500</b>
<b>Downtown RFP/CIP</b>	<b>-</b>	<b>-</b>	<b>390,000</b>	<b>-</b>	<b>390,000</b>
<b>Scoffone Loan</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>150,000</b>
<b>Granada</b>	<b>-</b>	<b>1,060,000</b>	<b>-</b>	<b>-</b>	<b>1,060,000</b>
<b>Gunter</b>	<b>-</b>	<b>363,000</b>	<b>-</b>	<b>-</b>	<b>363,000</b>
<b>Public Art</b>	<b>-</b>	<b>52,000</b>	<b>-</b>	<b>-</b>	<b>52,000</b>
<b>Total</b>	<b>\$2,421,325</b>	<b>\$3,993,900</b>	<b>\$1,871,000</b>	<b>\$601,000</b>	<b>\$8,987,225</b>
					<b>Available</b> <b>\$9,600,000</b> <b>UNALLOCATED</b> <b>\$712,775</b>

**NOTE:** From FY 99/00 to FY 03/04, the Agency spent about \$7.4 million for economic development activities, however, activities for FY 99/00 were funded with "old" RDA funds. The FY 04/05 column contains projected year end expenditures. The Agency allocated \$16M for RDA ED activities plus \$1M from street improvements for the D/T RFP. For purposes of this projection, the Agency has about \$9.6M remaining to be allocated to RDA activities over the next 3 years. For FY 06/07 and FY 07/08, the budget includes minimal funding to maintain certain programs/activities or legal obligations. The "unallocated" amount is those ED funds available to be budgeted for activities. The unallocated amount from the D/T RFP is included in this analysis because it comes from ED funds, but is reflected in the 5 yr CIP budget for FY05/06. The projected expenses for FY 04/05 may differ from the amount identified in the BAHS budget section because of the timing between the preparation of expenditure estimates and budget FY 05/06 estimates. The main difference is that expenditures related to the D/T RFP were "rolled over" from FY 04/05 to FY05/06.



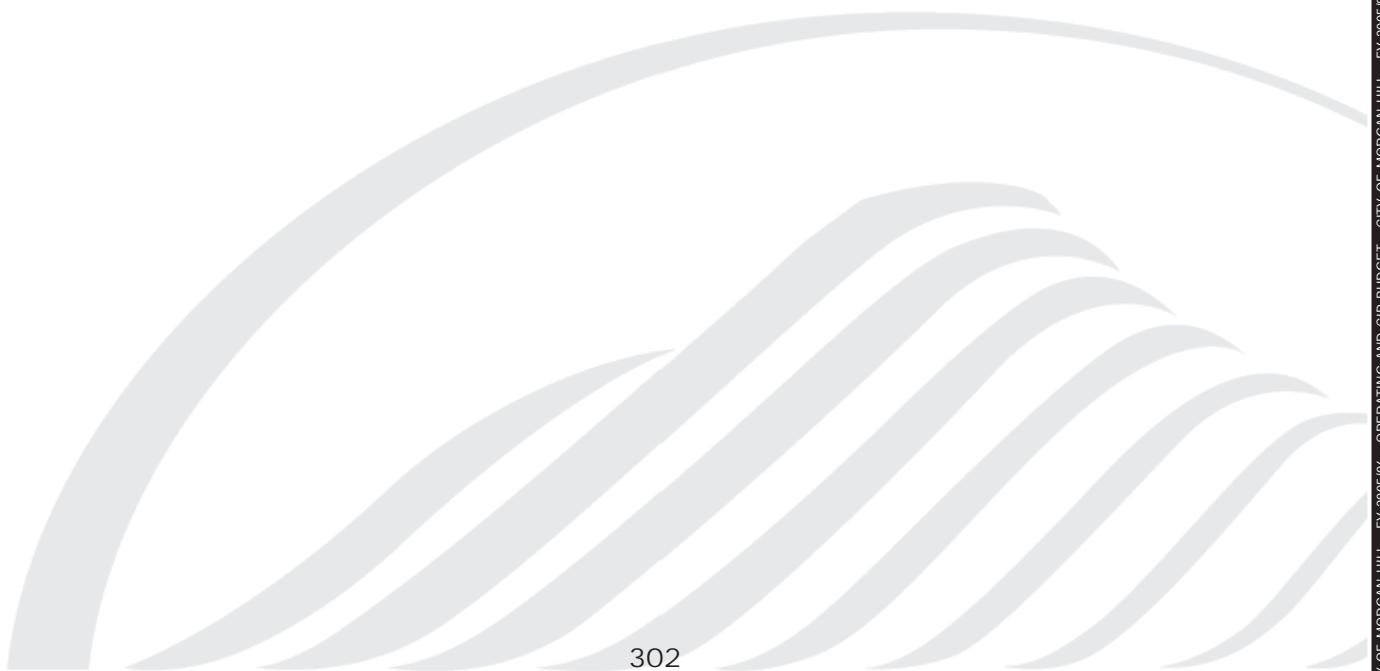
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NOTES:

The Total Plan Amendment Allocation does not include a \$5.7M carryover from the "old" plan amendment which would be applied toward the public facilities category. The fiscal cap for the 1999 plan amendment is \$147M. These allocations were established based on Council direction and only include allocations of the Tax Increment (TI) collected and not any other revenue sources (e.g., loan repayments, interest). The Admin and Housing estimates assume the RDA plan reaches its fiscal cap in FY 07/08. The Agency specifically identified allocated amounts for the community facilities category. For the other categories, the Table shows the overall amount allocated to the category and not the specific projects. As a result, the "available remaining funds column" shows the total remaining from the allocation. The amounts committed or expended represent amounts incurred since FY 00/01. For FY 99/00, we used "old RDA Plan money" to cover all those expenses. This column also includes the projected expenses for FY 04/05 and the proposed budget for FY 05/06. For CIP projects, we included the FY 05/06 CIP numbers in the committed projections as well as any amounts budgeted in FY 06/07 if the contract is scheduled to be awarded in FY 05/06. The expenses only reflect RDA funds and do not necessarily represent total project costs. For example, the Library is a \$17M project, but the table only shows the amount of RDA TI allocated to the project. The Downtown RFC category consist of \$1M from Street Improvements, ED, and 20% Housing Setaside funds. Flood control funds were reallocated to the Library project.

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[illegible]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<i>Beginning Balance</i>	11,260,628	10,898,370	9,532,541	8,456,601	8,057,933	6,996,806	5,734,825
Revenues & Trnfrs In	15,763,617	17,544,060	18,732,301	21,877,350	22,413,150	23,227,289	24,012,040
Exps/Trnsfers Out(5)	(16,125,875)	(18,909,889)	(19,808,241)	(22,276,019)	(23,474,278)	(24,489,269)	(25,458,327)
<i>Ending Balance</i>	10,898,370	9,532,541	8,456,601	8,057,933	6,996,806	5,734,825	4,288,539
Less:Designations(3)	3,746,640	4,287,740	4,570,109	5,347,000	5,489,000	5,718,000	5,928,000
<i>Undesg Fd Balance</i>	<u>7,151,730</u>	<u>5,244,801</u>	<u>3,886,492</u>	<u>2,710,933</u>	<u>1,507,806</u>	<u>16,826</u>	<u>(1,639,461)</u>
Operating margin:	(362,258)	(1,365,829)	(1,075,940)	(398,668)	(1,061,128)	(1,261,980)	(1,446,287)

# General Fund Projections (Continued)

GENERAL FUND BALANCE PROJECTIONS - NO NEW REVENUE  
2001/02 through 2009/10

6/22/2005

REVENUE DETAIL	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>TAXES:</b>							
Property Tax (1)	2,522,916	4,643,839	4,876,031	5,119,833	5,375,824	5,644,615	5,926,846
State prop tax taking		(342,961)	(342,961)				
Sales Tax	4,070,030	5,200,000	5,460,000	5,733,000	6,019,650	6,320,633	6,636,664
TOT Tax	933,041	946,178	974,560	1,003,797	1,033,911	1,064,928	1,096,876
Franchise Fees	975,498	990,000	1,030,700	1,061,621	1,093,470	1,126,274	1,160,062
Pub Sfty Sales Tax	240,528	252,000	264,600	277,830	291,722	306,308	321,623
Property Trnsfr Tax	479,537	367,500	378,525	389,881	401,577	413,624	426,033
<b>TOTAL TAXES</b>	<b>9,221,550</b>	<b>12,056,556</b>	<b>12,641,455</b>	<b>13,585,961</b>	<b>14,216,153</b>	<b>14,876,382</b>	<b>15,568,104</b>
<b>LICENSES/PERMITS</b>	<b>157,394</b>	<b>156,850</b>	<b>161,680</b>	<b>166,530</b>	<b>171,526</b>	<b>176,672</b>	<b>181,972</b>
<b>REVENUE FROM OTHER AGENCIES:</b>							
Motor Vehicle Fee(7)	1,608,533	183,278	188,776	824,780	200,273	206,281	212,469
Other	307,182	260,687	246,400	225,725	232,496	194,666	154,251
<b>TOTAL REV-AGNS</b>	<b>1,915,715</b>	<b>443,965</b>	<b>435,176</b>	<b>1,050,504</b>	<b>432,769</b>	<b>400,947</b>	<b>366,720</b>
<b>FINES/PENALTIES</b>	<b>74,716</b>	<b>61,459</b>	<b>63,500</b>	<b>65,405</b>	<b>67,367</b>	<b>69,388</b>	<b>71,470</b>
<b>CHARGES - CURRENT SERVICES:</b>							
Recrtn/CCC Classes	194,610	259,453	282,400	290,872	299,598	308,586	317,844
Aquatics Revenue (8)	191,030	1,103,329	1,258,500	1,296,255	1,335,143	1,375,197	1,416,453
Indoor Rec. Ctr. Rev. (6)				1,457,000	1,900,000	2,085,000	2,168,000
Gen Admin Overhd	2,007,978	1,793,851	1,791,375	1,845,116	1,900,470	1,957,484	2,016,208
Fire Fees	75,426	114,000	340,000	395,520	407,386	419,607	432,195
Other Charges	264,542	265,260	219,750	226,343	233,133	240,127	247,331
<b>TOTAL CUR SRVS</b>	<b>2,733,586</b>	<b>3,535,893</b>	<b>3,892,025</b>	<b>5,511,106</b>	<b>6,075,729</b>	<b>6,386,001</b>	<b>6,598,031</b>
Interest Earnings	292,016	242,240	295,000	332,000	302,000	256,000	202,000
CCC/Gavilan Rent	386,997	467,100	484,250	498,778	513,741	529,153	545,028
Other Rentals	107,300	127,080	143,750	152,573	152,596	152,620	152,644
Other New Revenues				-	-	-	-
Miscellaneous	97,285	59,817	163,600	24,308	25,037	25,788	26,562
<b>TOTAL OTH REVS</b>	<b>883,598</b>	<b>896,237</b>	<b>1,086,600</b>	<b>1,007,658</b>	<b>993,374</b>	<b>963,561</b>	<b>926,234</b>
<b>TRANSFERS IN</b>							
Park Maintenance	200,000	125,000	125,000	125,000	125,000	125,000	125,000
Sewer/Water/Other	39,058	93,100	66,200	68,186	70,232	72,339	74,509
Public Safety	273,000	175,000	175,000	175,000	175,000	145,000	100,000
Community Rec Ctrs	265,000	-	85,665	122,000	86,000	12,000	-
<b>TOTAL TRFRS IN</b>	<b>777,058</b>	<b>393,100</b>	<b>451,865</b>	<b>490,186</b>	<b>456,232</b>	<b>354,339</b>	<b>299,509</b>
<b>TOTAL REVS/XFRS</b>	<b>15,763,617</b>	<b>17,544,060</b>	<b>18,732,301</b>	<b>21,877,350</b>	<b>22,413,150</b>	<b>23,227,289</b>	<b>24,012,040</b>

# General Fund Projections (Continued)

## GENERAL FUND BALANCE PROJECTIONS - NO NEW REVENUE 2001/02 through 2009/10

6/22/2005

EXPENDITURES (4):	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
City Council	208,279	196,133	207,067	214,710	221,151	227,786	234,619
City Clerk	329,719	379,653	347,401	381,344	346,435	404,828	367,533
City Manager	464,358	392,246	477,740	446,050	459,431	473,214	487,411
Cable TV	42,641	43,399	37,611	38,926	40,094	41,296	42,535
Recreation	563,285	343,606	311,071	323,973	333,692	343,703	354,014
Community & Cul Ctr.	1,051,392	1,055,714	1,280,015	1,325,328	1,365,088	1,406,041	1,448,222
Indoor Rec Center (6)			85,665	1,662,000	2,044,000	2,105,000	2,168,000
Aquatics (8)	356,496	1,387,942	1,403,838	1,450,760	1,494,283	1,539,111	1,585,284
Police	6,445,345	7,459,687	8,539,088	8,963,594	9,232,502	9,509,477	9,794,761
Police Debt Serv (2)	-	52,926	218,978	211,982	212,323	212,323	212,323
Fire	3,744,977	4,194,617	4,377,495	4,601,050	4,923,124	5,267,742	5,636,484
City Attorney	627,412	1,099,324	566,690	587,462	605,086	623,239	641,936
Finance	908,489	882,264	982,085	994,100	1,023,923	1,054,641	1,086,280
Human Resources	542,618	481,906	488,604	508,513	523,768	539,481	555,666
Park Maintenance	729,510	640,571	698,893	726,185	747,970	770,409	793,521
Health Costs (5)				61,041	129,408	205,978	291,737
Less: 2% salary savings			(224,000)	(231,000)	(238,000)	(245,000)	(252,000)
<b>Total Expenditures</b>	<b>16,014,521</b>	<b>18,609,988</b>	<b>19,798,241</b>	<b>22,266,019</b>	<b>23,464,278</b>	<b>24,479,269</b>	<b>25,448,327</b>
<b>Transfers Out:</b>							
General Plan Update	-	21,900	10,000	10,000	10,000	10,000	10,000
Information Services	35,520	49,025					
Employee Assistance	60,000						
Other	15,834	28,976					
Community Centers	-	200,000	-	-	-	-	-
<b>Total Transfers Out</b>	<b>111,354</b>	<b>299,901</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>TOTAL EXPS/TRFS</b>	<b><u>16,125,875</u></b>	<b><u>18,909,889</u></b>	<b><u>19,808,241</u></b>	<b><u>22,276,019</u></b>	<b><u>23,474,278</u></b>	<b><u>24,489,269</u></b>	<b><u>25,458,327</u></b>

- (1) Property tax revenues for 2007/08 through 2009/10 assume that Redevelopment Agency tax increment cap of \$147 million is increased.
- (2) Police station debt service reflects the portion to be paid by the General Fund
- (3) Beginning in 2004/05, the General Fund target reserve has been established as 25% of estimated revenues, excluding transfers in.
- (4) Expenditures for years through 2004/05 include amounts expended for prior year carry-over encumbrances and rebudgeted projects.
- (5) Health costs separately shown represent projected costs in excess of the assumed 3% inflation rate.
- (6) Indoor Recreation Center activities are assumed to break even as of 3rd operating year beginning 9/1/08..
- (7) A one-time loss in Motor Vehicle In-Lieu Fees, amounting to \$630,340 shifted to the State, is reflected in lower revenues in 2003/04 and is offset by a projected State repayment of \$630,340 to the City in 2006/07.
- (8) Aquatics activity reflects a net cost of approximately \$150,000 per year beginning in 2005/06.





# General Fund Projections (With New Revenues)

This schedule shows that total Fund Balance for the General Fund is projected to drop from \$11.3 million at 7/1/03 to \$8.7 million at 6/30/10 if an annual \$1.2 million from new revenue sources were collected, consistent with the City Council's adopted Budget Sustainability plan, beginning in April 2007. The projections generally assume, after 2004/05, a 3% increase in revenues and in expenditures. However, property taxes and sales taxes are projected to increase an average of 5% a year. This schedule accounts for an increase in property tax revenue equal to the significant annual ongoing vehicle in-lieu loss beginning in 2004/05, and includes the State's shift of \$343,000 per year in property taxes away from Morgan Hill for two years (2004/05 and 2005/06). The schedule also relects the deletion of the \$27,502 annual State booking fee reimbursement as of 2005/06. The projections also do not include sales taxes from any major new businesses in future years. Projections include new Fire Inspection fees anticipated to be implemented in 2005/06. The projections do not factor in any new employee positions other than postions added, beginning in late 2005/06, for the opening of the Indoor Recreation Center in 2006/07. Potential future costs for operating a new fire station, City Hall expansion, and expanded parks maintenance are **not** included in costs.

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<i>Beginning Balance</i>	11,260,628	10,898,370	9,532,541	8,456,601	8,363,933	8,549,806	8,623,095
Revenues & Trnfrs In	15,763,617	17,544,060	18,732,301	22,183,350	23,660,150	24,562,559	25,440,668
Exps/Trnsfers Out(5)	<u>(16,125,875)</u>	<u>(18,909,889)</u>	<u>(19,808,241)</u>	<u>(22,276,019)</u>	<u>(23,474,278)</u>	<u>(24,489,269)</u>	<u>(25,458,327)</u>
<i>Ending Balance</i>	10,898,370	9,532,541	8,456,601	8,363,933	8,549,806	8,623,095	8,605,437
Less:Designations(3)	<u>3,746,640</u>	<u>4,287,740</u>	<u>4,570,109</u>	<u>5,423,000</u>	<u>5,801,000</u>	<u>6,052,000</u>	<u>6,285,000</u>
<b><i>Undesg Fd Balance</i></b>	<b><u>7,151,730</u></b>	<b><u>5,244,801</u></b>	<b><u>3,886,492</u></b>	<b><u>2,940,933</u></b>	<b><u>2,748,806</u></b>	<b><u>2,571,095</u></b>	<b><u>2,320,437</u></b>
Operating margin:	<u>(362,258)</u>	<u>(1,365,829)</u>	<u>(1,075,940)</u>	<u>(92,668)</u>	185,872	73,290	(17,659)

CITY OF MORGAN HILL • FY 2005/06 • OPERATING AND CIP BUDGET

6/22/2005

REVENUE DETAIL	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>TAXES:</b>							
Property Tax (1)	2,522,916	4,643,839	4,876,031	5,119,833	5,375,824	5,644,615	5,926,846
State prop tax taking		(342,961)	(342,961)				
Sales Tax	4,070,030	5,200,000	5,460,000	5,733,000	6,019,650	6,320,633	6,636,664
TOT Tax	933,041	946,178	974,560	1,003,797	1,033,911	1,064,928	1,096,876
Franchise Fees	975,498	990,000	1,030,700	1,061,621	1,093,470	1,126,274	1,160,062
Pub Sfty Sales Tax	240,528	252,000	264,600	277,830	291,722	306,308	321,623
Property Trnsfr Tax	479,537	367,500	378,525	389,881	401,577	413,624	426,033
<b>TOTAL TAXES</b>	<b>9,221,550</b>	<b>12,056,556</b>	<b>12,641,455</b>	<b>13,585,961</b>	<b>14,216,153</b>	<b>14,876,382</b>	<b>15,568,104</b>
<b>LICENSES/PERMITS</b>	<b>157,394</b>	<b>156,850</b>	<b>161,680</b>	<b>166,530</b>	<b>171,526</b>	<b>176,672</b>	<b>181,972</b>
<b>REVENUE FROM OTHER AGENCIES:</b>							
Motor Vehicle Fee(7)	1,608,533	183,278	188,776	824,780	200,273	206,281	212,469
Other	307,182	260,687	246,400	225,725	232,496	194,666	154,251
<b>TOTAL REV-AGNS</b>	<b>1,915,715</b>	<b>443,965</b>	<b>435,176</b>	<b>1,050,504</b>	<b>432,769</b>	<b>400,947</b>	<b>366,720</b>
<b>FINES/PENALTIES</b>	<b>74,716</b>	<b>61,459</b>	<b>63,500</b>	<b>65,405</b>	<b>67,367</b>	<b>69,388</b>	<b>71,470</b>
<b>CHARGES - CURRENT SERVICES:</b>							
Recrtn/CCC Classes	194,610	259,453	282,400	290,872	299,598	308,586	317,844
Aquatics Revenue (8)	191,030	1,103,329	1,258,500	1,296,255	1,335,143	1,375,197	1,416,453
Indoor Rec. Ctr. Rev. (6)				1,457,000	1,900,000	2,085,000	2,168,000
Gen Admin Overhd	2,007,978	1,793,851	1,791,375	1,845,116	1,900,470	1,957,484	2,016,208
Fire Fees	75,426	114,000	340,000	395,520	407,386	419,607	432,195
Other Charges	264,542	265,260	219,750	226,343	233,133	240,127	247,331
<b>TOTAL CUR SRVS</b>	<b>2,733,586</b>	<b>3,535,893</b>	<b>3,892,025</b>	<b>5,511,106</b>	<b>6,075,729</b>	<b>6,386,001</b>	<b>6,598,031</b>
Interest Earnings	292,016	242,240	295,000	338,000	340,000	346,000	348,000
CCC/Gavilan Rent	386,997	467,100	484,250	498,778	513,741	529,153	545,028
Other Rentals	107,300	127,080	143,750	152,573	152,596	152,620	152,644
Other New Revenues (9)				300,000	1,209,000	1,245,270	1,282,628
Miscellaneous	97,285	59,817	163,600	24,308	25,037	25,788	26,562
<b>TOTAL OTH REVS</b>	<b>883,598</b>	<b>896,237</b>	<b>1,086,600</b>	<b>1,313,658</b>	<b>2,240,374</b>	<b>2,298,831</b>	<b>2,354,862</b>
<b>TRANSFERS IN</b>							
Park Maintenance	200,000	125,000	125,000	125,000	125,000	125,000	125,000
Sewer/Water/Other	39,058	93,100	66,200	68,186	70,232	72,339	74,509
Public Safety	273,000	175,000	175,000	175,000	175,000	145,000	100,000
Community Rec Ctrs	265,000	-	85,665	122,000	86,000	12,000	-
<b>TOTAL TRFRS IN</b>	<b>777,058</b>	<b>393,100</b>	<b>451,865</b>	<b>490,186</b>	<b>456,232</b>	<b>354,339</b>	<b>299,509</b>
<b>TOTAL REVS/XFRS</b>	<b>15,763,617</b>	<b>17,544,060</b>	<b>18,732,301</b>	<b>22,183,350</b>	<b>23,660,150</b>	<b>24,562,559</b>	<b>25,440,668</b>

# General Fund Projections (Continued)

## GENERAL FUND BALANCE PROJECTIONS - WITH NEW REVENUE 2001/02 through 2009/10

6/22/2005

EXPENDITURES (4):	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
City Council	208,279	196,133	207,067	214,710	221,151	227,786	234,619
City Clerk	329,719	379,653	347,401	381,344	346,435	404,828	367,533
City Manager	464,358	392,246	477,740	446,050	459,431	473,214	487,411
Cable TV	42,641	43,399	37,611	38,926	40,094	41,296	42,535
Recreation	563,285	343,606	311,071	323,973	333,692	343,703	354,014
Community & Cul Ctr.	1,051,392	1,055,714	1,280,015	1,325,328	1,365,088	1,406,041	1,448,222
Indoor Rec Center (6)			85,665	1,662,000	2,044,000	2,105,000	2,168,000
Aquatics (8)	356,496	1,387,942	1,403,838	1,450,760	1,494,283	1,539,111	1,585,284
Police	6,445,345	7,459,687	8,539,088	8,963,594	9,232,502	9,509,477	9,794,761
Police Debt Serv (2)	-	52,926	218,978	211,982	212,323	212,323	212,323
Fire	3,744,977	4,194,617	4,377,495	4,601,050	4,923,124	5,267,742	5,636,484
City Attorney	627,412	1,099,324	566,690	587,462	605,086	623,239	641,936
Finance	908,489	882,264	982,085	994,100	1,023,923	1,054,641	1,086,280
Human Resources	542,618	481,906	488,604	508,513	523,768	539,481	555,666
Park Maintenance	729,510	640,571	698,893	726,185	747,970	770,409	793,521
Health Costs (5)				61,041	129,408	205,978	291,737
Less: 2% salary savings			(224,000)	(231,000)	(238,000)	(245,000)	(252,000)
<b>Total Expenditures</b>	<b>16,014,521</b>	<b>18,609,988</b>	<b>19,798,241</b>	<b>22,266,019</b>	<b>23,464,278</b>	<b>24,479,269</b>	<b>25,448,327</b>
<b>Transfers Out:</b>							
General Plan Update	-	21,900	10,000	10,000	10,000	10,000	10,000
Information Services	35,520	49,025					
Employee Assistance	60,000						
Other	15,834	28,976					
Community Centers	-	200,000	-	-	-	-	-
<b>Total Transfers Out</b>	<b>111,354</b>	<b>299,901</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>TOTAL EXPS/TRFS</b>	<b><u>16,125,875</u></b>	<b><u>18,909,889</u></b>	<b><u>19,808,241</u></b>	<b><u>22,276,019</u></b>	<b><u>23,474,278</u></b>	<b><u>24,489,269</u></b>	<b><u>25,458,327</u></b>

- (1) Property tax revenues for 2007/08 through 2009/10 assume that Redevelopment Agency tax increment cap of \$147 million is increased.
- (2) Police station debt service reflects the portion to be paid by the General Fund
- (3) Beginning in 2004/05, the General Fund target reserve has been established as 25% of estimated revenues, excluding transfers in.
- (4) Expenditures for years through 2004/05 include amounts expended for prior year carry-over encumbrances and rebudgeted projects.
- (5) Health costs separately shown represent projected costs in excess of the assumed 3% inflation rate.
- (6) Indoor Recreation Center activities are assumed to break even as of 3rd operating year beginning 9/1/08.
- (7) A one-time loss in Motor Vehicle In-Lieu Fees, amounting to \$630,340 shifted to the State, is reflected in lower revenues in 2003/04 and is offset by a projected State repayment of \$630,340 to the City in 2006/07.
- (8) Aquatics activity reflects a net cost of approximately \$150,000 per year beginning in 2005/06.
- (9) New revenues to be identified, pursuant to the City Council's adopted Budget Sustainability plan.



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- RCSD developed Performance Measures designed to be implemented division-wide. Recreation Administration will provide support and technical assistance to the Community and Cultural Center and Aquatics Center in tracking and monitoring the process. The Key Measurement Areas and Performance Measures within those are listed on the next page:

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## [010-2110] Recreation Administration

1) Key Measurement Area: <i>Cost Recovery</i>		
	CCC	Aquatics Center
<b>Performance Measure:</b>	To determine the cost per unit for CCC rentals during optimal hours	To determine the cost per unit for swim lessons
Unit = customer	To determine the cost per unit for recreation classes	To determine the cost per unit for recreational swim

2) Key Measurement Area: <i>Customer Service</i>		
	CCC	Aquatics Center
<b>Performance Measure:</b>	To establish a baseline for customer service rating during first quarter of FY05-06	To establish a baseline for customer service rating during first quarter of FY05-06

3) Key Measurement Area: <i>Accessibility</i>		
	CCC	Aquatics Center
<b>Performance Measure:</b>	To determine percent of time staff and services are available when needed	To determine percent of time staff and services are available when needed

# Performance Measures (Continued)

## [010-2115] Community and Cultural Center

1) Key Measurement Area: <i>Cost Recovery</i>			
GOAL	INPUT	OUTPUT	OUTCOME
To determine the cost per unit for CCC & Playhouse rentals during primetime hours*  Unit=Customer	Planning & Scheduling Advertising & Promotions Room Set-up Staffing: Event & Playhouse Coordinators Facility Staff Event Attendants Security	Number of CCC & Playhouse rentals	% of operating cost per unit vs. revenue received
To determine the cost per unit for recreation classes	Registrations Planning & Scheduling Room Set-up Staffing Instructor recruitment and training	Number of students enrolled  Number of classes offered	% of operating cost per unit vs. revenue received

1) Key Measurement Area: <i>Customer Service</i>			
GOAL	INPUT	OUTPUT	OUTCOME
To establish a baseline for customer service rating during first quarter of FY05-06	Development of CS survey Implementation of survey Analysis of surveys received	Number of surveys received  Data retrieved	% customer service rating based on data received

1) Key Measurement Area: <i>Accessibility</i>			
GOAL	INPUT	OUTPUT	OUTCOME
To determine percent of time staff and services are available when needed	Hours CCC open Staffing Hours Tracking inquiries received or missed	Number of inquiries received or missed Number of rentals Number of class enrollments	% increase in rentals/class enrollment due to change in accessibility



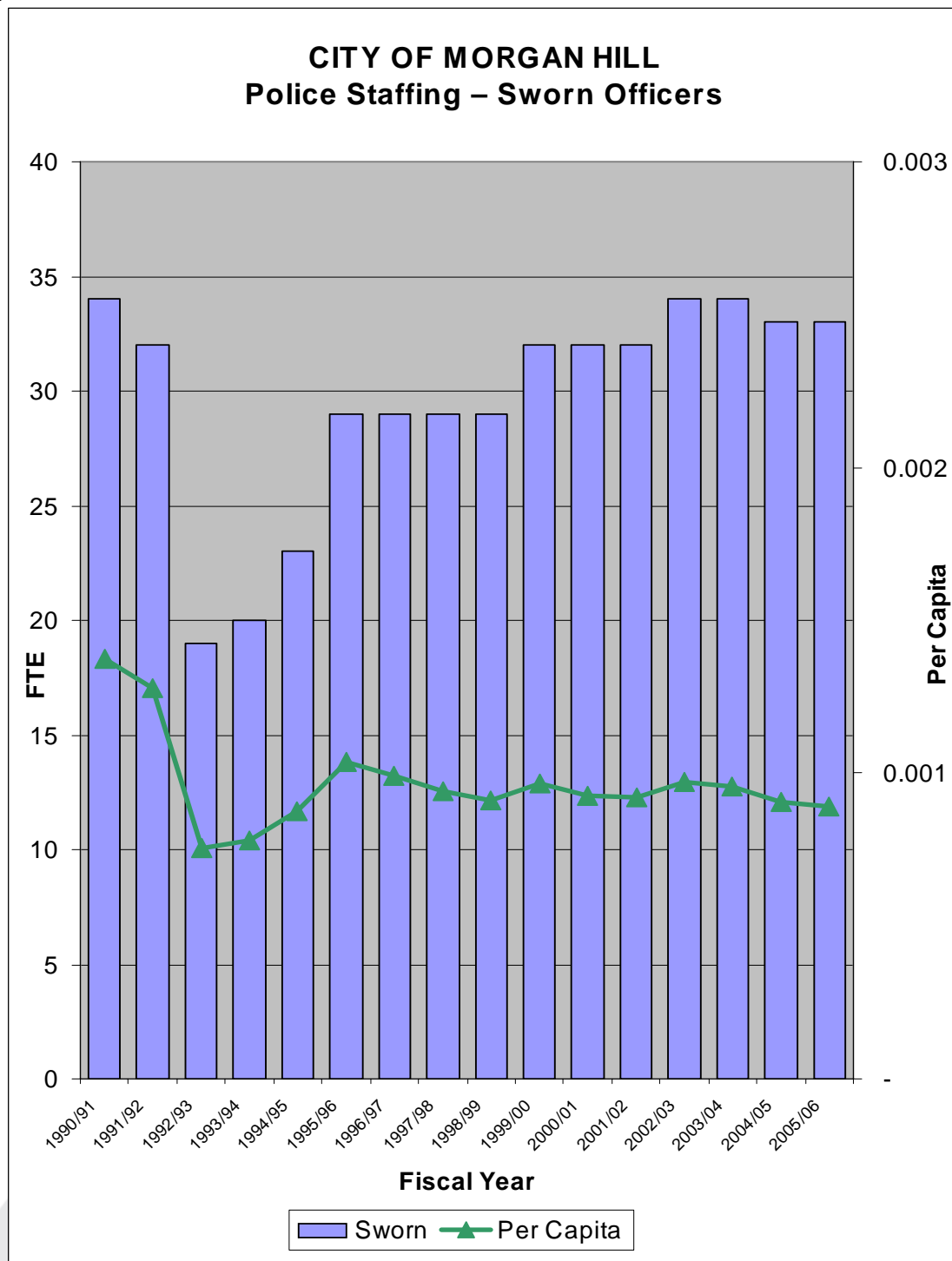
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1) Key Measurement Area: <i>Cost Recovery</i>			
GOAL	INPUT	OUTPUT	OUTCOME
<p>To determine the cost per unit for swimming lessons</p> <p>*optimal hours determined as highest use and capacity during day</p>	<p>Planning &amp; Scheduling</p> <p>Registrations</p> <p>Advertising &amp; Promotions</p> <p>Instructor training</p> <p>Staffing</p> <p>Facility maint/operations costs</p>	<p>Number of students enrolled</p> <p>Number of classes offered</p>	<p>% of operating cost per unit vs. revenue received</p>
<p>To determine the cost per unit for recreational swim during optimal hours</p> <p>*optimal hours determined as highest use and capacity during day</p>	<p>Planning &amp; Scheduling</p> <p>Registrations</p> <p>Advertising &amp; Promotions</p> <p>Instructor training</p> <p>Staffing</p> <p>Facility maint/operations costs</p>	<p>Number of recreational swim participants</p>	<p>% of operating cost per unit vs. revenue received</p>

1) Key Measurement Area: <i>Customer Service</i>			
GOAL	INPUT	OUTPUT	OUTCOME
To establish a baseline for customer service rating during first quarter of FY05-06	Development of CS survey Implementation of survey Analysis of surveys received	Number of surveys received  Data retrieved	% customer service rating based on data received

1) Key Measurement Area: <i>Accessibility</i>			
GOAL	INPUT	OUTPUT	OUTCOME
To determine percent of time staff and services are available when needed	Hours Aquatics Center open Staffing Hours Tracking inquiries received or missed	Number of inquiries received or missed Number of class registrations Daily admission count	% increase in class enrollment & recreation swim due to change in accessibility

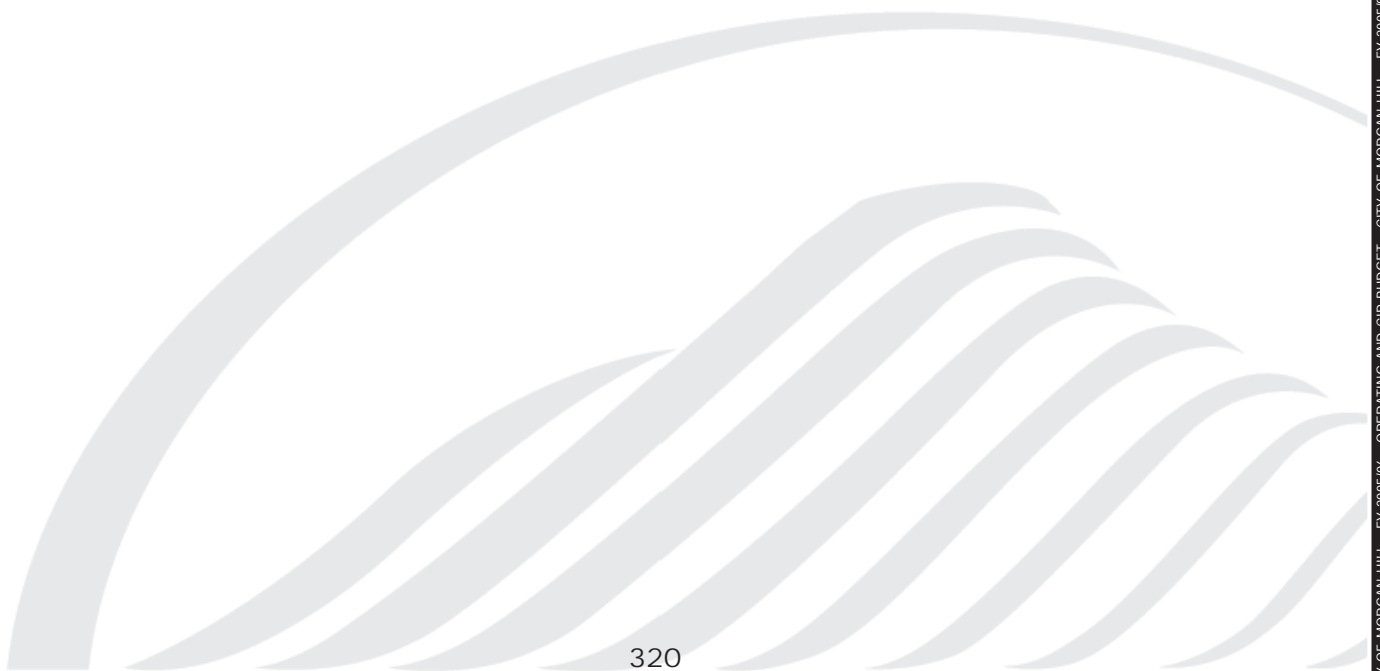
# Police Staffing History





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# Relationship With Other Agencies

The City of Morgan Hill and the Redevelopment Agency of the City of Morgan Hill partner with other agencies/entities in order to provide facilitate or otherwise further public purposes. Those agencies that are a component unit of the City are reported in the City's annual financial statements. Others do not meet the criteria for reporting as established by Generally Accepted Accounting Principles. However, the City believes the following list, and definition of terms, may be helpful to the readers of the budget document in understanding the various relationships in which the City and Agency engage.

## **Joint Powers Authority**

### Morgan Hill Corporation Yard Commission:

A joint powers authority between the Morgan Hill School District and the City to facilitate the sharing and maintenance of public facilities.

### South County Regional Wastewater

Authority: A joint powers authority between the City of Gilroy and the City of Morgan Hill for the sharing of sewer transport and treatment.

Association of Bay Area Governments: A joint powers authority of multiple bay area cities to provide efficient and effective liability insurance pools.

### Local Agency's Worker's Compensation

Excess Liability: A joint powers authority of multiple bay area cities and districts to obtain cost effective excess worker's compensation insurance.

### California Disaster and Civil Defense

Mutual Aid: Disaster assistance.

Employee Relations Service: Sharing of information and studies regarding recruitment, wages and benefits.

## **Associated Non-Profit Groups**

The following non-profit groups provide business and community services within the City of Morgan Hill. The City and Agency provide financial support to these groups to assist with community needs.

Catholic Charities  
Community Solutions  
Ecumenical Association of Housing  
Emergency Housing Consortium  
First Community Housing  
Independence Day, Inc  
Joint Venture Silicon Valley  
Lighthouse  
Live Oak Adult Day Services  
Morgan Hill Chamber of Commerce  
Morgan Hill Downtown Association  
Project Sentinel  
Santa Clara Association of Cities  
Second Harvest Food Bank  
South Valley Day Worker Center

## **Redevelopment and Housing Authorities**

Redevelopment Agency of the City of Morgan Hill: Provides community improvements, services to businesses, economic development and low income housing and housing rehabilitation.

## **Special Districts**

Santa Clara County Central Fire District: Provides fire service and emergency response to a defined geographical area which includes the City of Morgan Hill.

### Morgan Hill Wastewater Financing

Authority: To facilitate the issuance of debt for improvements to wastewater system.

Morgan Hill Financing Authority: To facilitate the issuance of bonds for reassessment of the Morgan Hill Ranch Assessment District 1994-I.

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